

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Leoni Regional Utility Authority		County Jackson	
Audit Date 12/31/04		Opinion Date 5/4/05		Date Accountant Report Submitted to State: 7/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

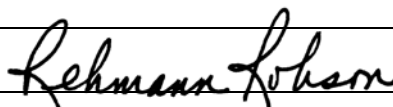
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

**LEONI REGIONAL  
UTILITY AUTHORITY**

**Michigan Center, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# LEONI REGIONAL UTILITY AUTHORITY

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **Independent Auditors' Report**

May 4, 2005

To the Board of Commissioners  
Leoni Regional Utility Authority  
Michigan Center, Michigan

We have audited the accompanying financial statements of the **Leoni Regional Utility Authority** as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Leoni Regional Utility Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Leoni Regional Utility Authority**, as of December 31, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

# **FINANCIAL STATEMENTS**

# LEONI REGIONAL UTILITY AUTHORITY

## Statement of Net Assets

December 31, 2004

### Assets

Cash and cash equivalents	\$ 15,792
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### Liabilities

Accounts payable	<u>-</u>
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### Net assets

Unrestricted	<u><u>\$ 15,792</u></u>
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The accompanying notes are an integral part of these financial statements.

# LEONI REGIONAL UTILITY AUTHORITY

## Statement of Revenue, Expenses and Changes in Net Assets

For the Year Ended December 31, 2004

<b>Operating revenue</b>	
Constituent member contributions	\$ 4,610
<b>Operating expenses</b>	
Administration	<u>2,189</u>
Operating income	2,421
<b>Nonoperating revenue</b>	
Interest income	<u>123</u>
Change in net assets	2,544
Net assets, beginning of year	<u>13,248</u>
<b>Net assets, end of year</b>	<u><u>\$ 15,792</u></u>

The accompanying notes are an integral part of these financial statements.

# LEONI REGIONAL UTILITY AUTHORITY

## Statement of Cash Flows

For the Year Ended December 31, 2004

### Cash flows from operating activities

Receipts from constituent members	\$ 4,777
Payments to vendors	<u>(2,189)</u>
Net cash provided by operating activities	2,588

### Cash flows from investing activities

Interest received on deposits	<u>123</u>
Net increase in cash and cash equivalents	2,711

Cash and cash equivalents, beginning of year	<u>13,081</u>
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Cash and cash equivalents, end of year	<u><u>\$ 15,792</u></u>
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### Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 2,421
Adjustments to reconcile operating income to net cash from operating activities - changes in assets and liabilities:	
Accounts receivable	<u>167</u>

Net cash provided by operating activities	<u><u>\$ 2,588</u></u>
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The accompanying notes are an integral part of these financial statements.



# LEONI REGIONAL UTILITY AUTHORITY

## Notes To Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Leoni Regional Utility Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below:

#### A. Reporting Entity

The Authority is a separate legal entity formed pursuant to Public Act 233 of 1955 by Townships of Leoni, Napoleon, Columbia, Norvell, Blackman and Grass Lake and the Villages of Grass Lake and Brooklyn, each of which are located in Jackson County, Michigan. The Authority’s purpose is to acquire, own, construct, improve, enlarge, extend, maintain and operate sewage disposal and/or water supply systems, or a combination thereof, as authorized by Public Act 233. To date, the activities of the Authority have been limited to exploring consolidated utility billing services.

The Authority commenced operations in June 2001, which is considered the date of inception for financial reporting purposes.

#### B. Basis of Accounting

The Authority uses a fund (i.e., a separate accounting entity with a self-balancing set of accounts) to report its financial position and changes therein. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities. A brief description of the Authority’s fund is as follows:

##### **Enterprise Fund**

An enterprise fund accounts for activities that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

An enterprise fund utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

# LEONI REGIONAL UTILITY AUTHORITY

## Notes To Financial Statements

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### **C. Cash and Cash Equivalents**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

At December 31, 2004, the carrying amount and bank balance of the Authority's deposits was \$15,792 and entirely insured by FDIC.

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